

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE**
45 Fremont Street
San Francisco, CA 94105

RH03029826

June 2, 2006

**Title 10
Proposed Revisions to Sections 2632.5, 2632.8 and 2632.11
Optional Automobile Insurance Rating Factors**

Summary and Response to Volumes 7 & 8 Comments Received During 45-day Comment
Period

Except as provided below the comments contained in volumes 7 and 8 of the comments received during the 45-day comment period were in support of the proposed regulations and therefore do not require a response.

Volume 7&8, Tab No. 5:

Commentator: Mark Savage & Pamela Pressley on behalf of Consumer's Union of the United States, National Council of La Raza, Southern Christian Leadership Conference of Greater Los Angeles, Spanish Speaking Citizens' Foundation, Foundation for Taxpayer and Consumer Rights, City of Los Angeles, City of Oakland, and City and County of San Francisco

Date of Comment: March 6, 2006

Type of Comment: Written

Summary of Comment (Tab 5, pages 54-57 & Tab 1, pages 23-24 and JRH-18 & JRH 19):

Because automobile insurers have earned extraordinary profit in the last few years, a phase-in plan for the proposed regulations may not be warranted at all. Thus, because of extraordinarily high profits and low loss ratios, there is probably no need for an implementation plan. Due to gasoline prices, people are driving less and this should result in substantial insurance premium savings. Californians should expect a refund and reduction in future premiums due to this change.

If the Commissioner decides that a phase-in plan is necessary, however, it should be a single, uniform industry-wide plan for all class plans. The plan should require all insurers to file class plans that are fully compliant with the proposed regulations, with fully balanced relativities. By separate regulation, the Commissioner should permit insurers to implement the fully compliant class plans in the Fall of 2006. Alternatively, the implementation could take place in two increments: the Fall of 2007 and then in 2007

Response to Comment:

Contrary to the commentator's suggestion, the Commissioner believes that a phase-in implementation plan for the proposed regulations is reasonable and necessary. The Commissioner has taken similar input into account and has decided upon a reasonable schedule for implementation which will give insurers flexibility to decide upon the best approach for implementation, but will also ensure that compliance is achieved in a timely manner. Therefore, he has revised the regulations to provide for a two-year schedule. Rather than require a fully compliant class plan in the first year, the Commissioner believes a minimum threshold for implementation makes more sense. This schedule provides that insurers must bring their rates at least 15% of the way towards full compliance with the proposed regulations in the first class plan filing, but gives insurers discretion to implement the remaining 85%, so long as the implementation is completed by the two-year anniversary of the date the regulations are filed with the Secretary of State. See revisions to 10 Cal. Code of Regulations section 2632.11.